Ordinance on the Requirements to be met by the Investment Projects Financed by Government Loans and the Projects Applying for Financing by a Sovereign Guarantee and on the Procedure of their Consideration

Adopted by Decree of the Council of Ministers No. 28 of 7.02.2003, prom., SG, issue 15 of 14.02.2003, amended, issue 27 of 29.03.2005

Chapter one
REQUIREMENTS TO BE MET BY THE INVESTMENT PROJECTS FINANCED BY GOVERNMENT LOANS AND THE PROCEDURE OF THEIR CONSIDERATION

Art. 1. The investment projects, the financing of which requires conclusion of agreements for foreign and domestic government loans during the next year, shall be considered and approved by the Council of Ministers within the framework of the budget procedure for the respective year.

Art. 2. The ministries shall present annually by 31 March to the Ministry of Finance their investment project proposals under Art. 1.

Art. 3. The Council of Ministers shall consider the project proposals for financing by government loans, which meet the following requirements:

1. the project shall support the development of the public sector and the economy of the country;

2. the proposal shall be accompanied by a full description of the project - name of the project, objectives, feasibility study of the project, expected deadlines for project implementation, social and economic analysis of the expected results from project implementation, as well as analysis of the impact on the environment;

3. the proposal shall be accompanied by a detailed description of all financial parameters of the project - all sources of funding and amount of the respective financial resources, amount of the requested loan, deadlines and manner of utilisation of the loan, interest terms, redemption schedule, amount of expenses for consultations and administrative and managerial services, loan redemption sources, impact of the foreign funding and expenses related to loan servicing on the budget of the respective ministry;

4. the proposal shall be accompanied by a scheme of internal departmental control to be exercised over project implementation in the respective ministry.

Art. 4. (1) The Minister of Finance shall draw up a list of the filed proposals under Art. 2 and an analysis of the degree, to which the following criteria have been met:

1. relieved terms of financing or present value of the loan under its nominal amount;

2. minimal administrative and managerial expenses and other expenses relating to loan utilisation;

3. degree of readiness to realise the project and to utilise the loan resources;

4. possibility of revenues formation in the process of project implementation, which will be used as potential sources of servicing the loan or of facilitating its servicing; this criterion shall not apply to projects of social nature.

(2) (amended - SG, issue 27 of 2005) The projects included in the list under para 1 shall be presented for coordination with the Council of Economic Policy at the Council of Ministers before their presentation for consideration and approval by the Council of Ministers.

Art. 5. The project proposals shall be approved in compliance with the limit under art. 10 of the Government Debt Law and upon assessment of their impact on the budget expenditures and the budget deficit.

Art. 6. All projects approved by the Council of Ministers, to be financed by government loans, shall be included in the draft budgets of the relevant ministries according to the macro-economic framework for the respective year.

Chapter two
REQUIREMENTS TO BE MET BY THE PROJECTS PROPOSALS FOR FINANCING BY A SOVEREIGN GUARANTEE AND PROCEDURE OF THEIR CONSIDERATION

Art. 7. Projects, for which the issuance of a sovereign guarantee shall be proposed on their financing, shall be considered and approved by the Council of Ministers.

Art. 8. All requests for provision of a sovereign guarantee on loans to be concluded in the next year shall be presented by the line ministry to the Ministry of Finance by 31 March, accompanied by the following documents:

1. full description of the project - name of the project, project objectives, characteristics of project activities, feasibility study of the project, degree of readiness for project implementation, amount of the necessary investments and technical description of the expected results, macro-economic effect and impact on the environment;
2. financial analysis - capital structure of the loan applicant, analysis of the financial status prior to project implementation and forecast of the financial status after project implementation, expected cash flows during and after project implementation and loan redemption sources;
3. financial parameters of the requested loan - amount of the loan, deadlines and manner of utilisation of the loan, interest terms, redemption schedule, fees and other administrative and managerial expenses;
4. securities or guarantee schemes, which can be used in favour of the guarantor.

Art. 9. (1) The Minister of Finance shall draw up a list of the filed proposals under Art. 8 and an analysis of the degree to which the following criteria have been met:

1. project significance for country’s economic development;
2. comparative advantages of the credit terms as compared to market orientation;
3. share of the concomitant expenses as compared to the direct investment expenses;
4. expected branch and macroeconomic impact of project implementation;
5. degree of risks undertaken and measures for their restriction;
6. degree of loan servicing security;
7. goodwill of the loan applicant, lack of delays in servicing existing loans and other liabilities, acceptable values of the indices of profitability, effectiveness, liquidity, degree of indebtedness and solvency (financial autonomy).

(2) The projects included in the list under para 1 shall be presented to the Council of Structural Policy at the Council of Ministers before their submission for consideration and approval by the Council of Ministers.

Art. 10. The Council of Ministers shall include the list of approved projects under Art. 1 and 7 in the draft Law of the State Budget of the Republic of Bulgaria for the next year.

FINAL PROVISION

Sole paragraph. This Ordinance is adopted pursuant to Art. 5, para 3 and Art. 22 of the Law on Government Debt.